

INFORMATION PAPER

CFO ISSUES – FY 2000 AUDIT

Issue: Delinquent Accounts Receivable

References:

- a. ER 37-2-10, Chapter 4, paragraphs 4-7 and 4-8.
- b. CERM-F memorandum, 20 August 1997, subject: Delinquent Accounts Receivable Procedures and Uncollectable (Bad Debt) Expense.
- c. CERM-F memorandum, 18 September 1997, subject: Policy Decision and Pro Forma Entries for Uncollectable Accounts Receivable and Corresponding Expenses.

Description: During their FY97 CFO audit, USAAA found that 70% of the Southwestern Division's \$17M accounts receivable were delinquent and about 50% of the accounts were 90 days or more past due. They also found that there was ineffective coordination between the USACE Finance Center and the districts they support and that there was no clear guidance on which office was ultimately responsible for collection and disposition of the accounts receivable. In addition, they found there were no clear guidelines or automated procedures to write-off uncollectable accounts in CEFMS.

USAAA again emphasized the need for USACE to address the issue of delinquent accounts receivable (about \$250M involved) and five other major issues to prevent an adverse impact on their audit opinion during the CFO meeting at the USACE Finance Center on 19 and 20 August 1998.

As of 31 October 1998, there were 2288 delinquent accounts receivable valued at \$18.9M in the Revolving Fund alone and 1613 (70%) of these delinquent accounts valued at \$10.1M were more than 180 days past due. These delinquencies represent unrealized income from sales of goods/services which will result in a permanent reduction in the Corpus of the fund if they have to be written off as a bad debt expense. Therefore, they are a solvency as well as a CFO issue.

Requirements for Compliance:

- Standard:** (1) No Intra-Corps delinquent accounts receivable over 180 days old.
(2) Collection efforts are current for all delinquent accounts.

Field Action(s):

Intensify efforts to collect all delinquent accounts receivable

Write off receivables determined to be uncollectable

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Self-Assessment Rating Criteria:

Green (Compliant): (1) No Intra-Corps delinquent accounts receivable over 180 days old. (2) Collection efforts are current for all delinquent accounts.

HQUSACE Actions:

Interim guidance – COMPLETED 20 August 1997
CEFMS bad debt programming – COMPLETED 23 Jul 98
CEFMS programming to CEAO and USAA for
review and determination of acceptability – COMPLETED 23 Oct 98
Revise ER 37-2-10
Coordinate with UFC to record Command-level Allowance for
Doubtful Accounts for FY99 – COMPLETED 30 Sep 99

Milestones:

Memorandum to field – delinquent revolving fund receivables	In review
Draft revision of policy in ER 37-2-10, including Allowance for Loss on Accounts Receivable	15 Mar 00
Complete co-ordination of draft policy	31 Mar 00
Advise CEFC-AS of any necessary CEFMS changes	31 Mar 00
Transmit draft of change to ER 37-2-10 to field	30 Apr 00
Change CEFMS bad debt programming as necessary based on final corporate policy	30 Apr 00
Direct the UFC to establish an OPAC account	TBD

Estimated Completion Date: 30 Apr 00

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